

Members

Sen. Allen Paul, Chair
Sen. Timothy Lanane
Rep. Craig Fry
Rep. Michael Smith
Paul Chase
Lee Lange



INTERIM STUDY COMMITTEE ON THE INDIANA COMPREHENSIVE HEALTH INSURANCE ASSOCIATION

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Authority: P.L. 233-1999 (HEA 2043); Legislative
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MEETING MINUTES¹

Meeting Date: September 14, 1999
Meeting Time: 1:30 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 156-B
Meeting City: Indianapolis, Indiana
Meeting Number: 1

Members Present: Sen. Allen Paul, Chair; Sen. Timothy Lanane; Rep. Craig Fry; Paul Chase; Lee Lange.

Members Absent: Rep. Michael Smith.

The first meeting of the Interim Study Committee on the Indiana Comprehensive Health Insurance Association was called to order at about 1:40 p.m. by Sen. Allen Paul, Chair of the Committee.

After the introduction of members, staff was asked to summarize the Committee's charge. The charge (Exhibit 1) consists of those issues: (1) outlined in HEA 2043 (1999) relating to the Indiana Comprehensive Health Insurance Association (ICHIA); and (2) assigned by the Legislative Council in Legislative Council Resolution 99-1 relating to the study of the magnitude of the problem and the costs associated with the uninsured and underinsured populations.

Mr. Russell Shirlock, Outsourced Administrative Systems, Inc. (OASYS)

Mr. Russell Shirlock, President and CEO of OASYS, described his firm as a subcontractor to Anthem Blue Cross/Blue Shield and that OASYS served as the administrator for the ICHIA program.

¹Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Ms. Sharron Gipson, OASYS

Ms. Sharron Gipson, the account manager for ICHIA, provided (Exhibit 2) copies of the 1997 Annual Report for ICHIA and a packet that is provided to new ICHIA applicants. The packet includes rate and plan benefit descriptions and application forms.

Ms. Gipson provided a brief history of ICHIA since its establishment in 1981. She also informed the Committee that, effective October 1999, there would be a 4% premium rate decrease as a result of changes in the insurance market. ICHIA premiums are limited to 150% of the premiums for similar coverage by other insurers. Ms. Gipson also stated that ICHIA has nearly 4,300 policy holders. The top three most costly diagnoses tend to be circulatory/cardiac disorders, malignancies/cancer, and blood disorders.

Responding to a question from the Committee, Ms. Gipson stated that ICHIA does not cover a large number of children. She stated that additional demographic and statistical information can be provided at future meetings.

Mr. Philip Conklin, Philip Conklin and Associates

Mr. Philip Conklin, representing Maxicare, indicated that he had served on the ICHIA Board of Directors for about four years. During that time period, he noticed changes in several areas, including: (1) ICHIA funding; (2) enrollment; and (3) in the benefit plans, themselves. He stated that ICHIA has three plans: one that is mandated by Indiana statute, and two that are provided as alternative plans. He stated that there were more ICHIA insureds at one time. However, costs of the insurance has increased faster than has the general cost of living. Mr. Conklin also indicated that the drug program is operated under a PPO (Preferred Provider Organization) arrangement and that overall management of ICHIA has probably been pretty good.

Mr. Conklin indicated that 26 other states have established high-risk pools to serve a similar purpose to ICHIA. However, a few of the states have significantly changed their high-risk pools in recent years, including Tennessee, Oregon, and Florida. Mr. Conklin described a survey questionnaire (Exhibit 3) that he had sent to the other 26 states with high-risk pools. He also summarized the responses that he had received from the twelve responding states.

Mr. Conklin also provided a booklet (Exhibit 4) describing the California plan. He stated that California contracts with the private sector to provide coverage and that California policy holders can select the plan that they desire.

Sen. Paul invited public testimony. However, there were no responses.

Committee Discussion

Sen. Paul opened the floor for Committee discussion as to the direction the Committee should take in the next few meetings.

Paul Chase, member of the Committee and current President of the ICHIA Board, indicated that some of the issues described in HEA 2043 were already being addressed by ICHIA.

Much of the discussion centered around the methods by which ICHIA is funded. Questions were raised as to the fairness and equity of the current funding mechanisms and whether alternative mechanisms could be considered. Alternatives mentioned included assessments of third-party administrators, assessments of self-funded health plans, the relative contribution of premium collections and assessments on insurance carriers, and whether all existing carriers are being assessed.

Questions were also raised as to how ERISA (Employee Retirement Income Security Act) and HIPAA (Health Insurance Portability and Accountability Act of 1996) will impact on the funding options available to ICHIA. Dan Seitz (Bose, McKinney, and Evans) indicated that there is an increasing amount of case law that may provide opportunities to assess self-funded health plans, in spite of the statutory requirements of ERISA. However, the issue would probably be resolved in court. Sally McCarty, Commissioner of the Department of Insurance, indicated that the ICHIA program is the state's "alternative mechanism" for complying with HIPAA requirements. Ms. McCarty indicated that this allows the state not to impose guaranteed issue requirements on health insurers. Currently, ICHIA has as policy holders 177 federally eligible individuals (the individuals that would be affected by HIPAA requirements).

Dan Seitz stated that when the original ICHIA legislation was drafted, no one knew what to expect. In the mid-1970's, there were significant increases in health care costs and people were dropping out of the health insurance market. Mr. Seitz stated that there has been a significant increase in the number of self-insured health plans. Consequently, there were more health insurance carriers doing business in the 1970's, and thus more players over which to spread the cost. There is a tax credit for ICHIA assessments that may be claimed by carriers. The credit can be claimed over a five year period. However, some carriers either don't have enough business or profitability to take advantage of the entire credit. Mr. Seitz stated that ICHIA was never intended to be a plan funded by insurance companies, but rather was intended to be a state plan. Insurance carriers were to be facilitators of the plan. Consequently, now taxpayers are getting a free ride to some extent. Mr. Seitz stated that the simple solution would be make ICHIA a state program.

Phil Conklin stated that the top three insurance carriers are Anthem, M-Plan, and Maxicare. He added that a couple of the problems that exist are that: (1) insurance carriers don't know very far in advance how much will be assessed; and (2) HMOs have no way of shifting high cost enrollees out of HMO plans and into ICHIA. Members of the Committee suggested that the Committee should look at the relative financial burdens imposed on the policy holders, insurance carriers, and the state of Indiana.

Paul Chase also indicated that the ICHIA Board could bring to the Committee recommendations for statutory changes that could address these issues.

Sen. Paul indicated that ICHIA funding issues would be the initial issues to be considered by the Committee.

The next meeting of the Committee was determined to be Tuesday, October 19, 1999, at 1:30 p.m.. The meeting will be held in Room 233 of the State House. (Note: Meeting times and dates are subject to change. Please check the Calendar of Interim Committee Meetings for an up-to-date listing.)

There being no further business to consider, the meeting was adjourned.